INTRODUCTORYSECTION



MIAMI-DADE WATER AND SEWER DEPARTMENT A DEPARTMENT OF MIAMI-DADE COUNTY, FLORIDA

Comprehensive Annual Financial Report For the Fiscal Year Ended September 30, 2002 Report prepared by: WASD's Controller Division and Public Affairs Section

TABLEOFCONTENTS

INTRODUCTORY SECTION
Board of County Commissioners
Transmittal Letters.
Organizational Chart
FINANCIAL SECTION
Independent Auditors' Report
Management's Discussion and Analysis
Financial Statements
Balance Sheets
Statements of Revenues, Expenses and Changes in Net Assets
Statements of Cash Flows
Notes to Financial Statements
Supplementary Financial Data
Supplementary Financial Data Water System
Balance Sheets
Statements of Revenues, Expenses and Changes in Net Assets
Statements of Cash Flows
Schedule of Operating and Maintenance Expenses
ochedute of operating and maintenance Expenses
Wastewater System
Balance Sheets
Statements of Revenues, Expenses and Changes in Net Assets
Statements of Cash Flows
Schedule of Operating and Maintenance Expenses
STATISTICAL SECTION
Schedule of Revenues and Expenses
Combined Water and Wastewater Systems - Last Ten Fiscal Years
Water System - Last Ten Fiscal Years5
Wastewater System - Last Ten Fiscal Years
Debt Service Coverage - Last Ten Fiscal Years
Water Usage - Last Ten Fiscal Years
Wastewater Treatment - Last Ten Fiscal Years
Customer Statistics
Insurance in Force.



Betty T. Ferguson DISTRICT 1



Dorrin D. Rolle DISTRICT 2



Dr. Barbara Carey-Shuler CHAIRPERSON DISTRICT 3



Sally A. Heyman
DISTRICT 4



Bruno A. Barreiro DISTRICT 5



Rebeca Sosa DISTRICT 6



Jimmy L. Morales
DISTRICT 7

BOARD OF COUNTY

MIAMI-DADE COUNTY, FLORIDA



Katy Sorenson DISTRICT 8



Dennis C. Moss DISTRICT 9



Sen. Javier D. Souto DISTRICT 10



DISTRICT 11



José "Pepe" Diaz DISTRICT 12



Natacha Seijas DISTRICT 13





MESSAGE FROM THE

COUNTYMAYOR

March 31, 2003

Honorable Chairperson and Members Board of County Commissioners Miami-Dade County, Florida

Dear Chairperson and Members of the Board of County Commissioners:

Many businesses, institutions and government entities felt the after effects of the September 11, 2001 terrorist attacks during fiscal year 2002. Miami-Dade County and the Miami-Dade Water and Sewer Department were no different. The attacks affected all of us emotionally and financially as well, exacerbating an economic slowdown that saw a downturn of consumer confidence and financial markets not only nationally, but also worldwide.

But through it all, the Water and Sewer Department continued to provide County residents with safe, clean drinking water and high-quality wastewater treatment services as it continued abiding by all local, state and federal regulations. The Department managed to do all this while extending its five-year promise not to raise rates—rates that currently rank among the lowest in the country—during the year 2003, in addition to the past six years of service that have not experienced rate increases.

The Department accomplished the completion of several major capital projects during fiscal year 2002. The Infiltration and Inflow (I & I) program was nearly complete by the end of the fiscal year. The I & I program consisted of surveying the Department's wastewater lines and repairing faulty lines to reduce leakage into, and out of, the wastewater system. This project resulted in a significant reduction of wastewater flows to the Department's treatment plants,

which in return reduced costs as less wastewater is treated unnecessarily, and fewer capital expenditures on infrastructure that would otherwise be needed.

The US-1 Water and Sewer Improvements were also nearly finished by the end of fiscal year 2002. Located in South Miami-Dade as part of the larger, multi-agency US-1 Corridor Projects, these improvements will bring essential infrastructure to an area of the County that has been underserved for some time.

During fiscal year 2002, the Department's Needs Assessment Program took a close look at a number of places Countywide that currently have less than adequate water and wastewater services. The program identified and executed the necessary preliminary work to bring these crucial services to all four corners of the County.

Looking to fiscal year 2003 and beyond, the Department continues to work hard at being an efficient, competitive public utility. Growing needs and a growing population will mean the Department will have to review its revenue stream in the near future, and adjustments may be necessary. But the Department's history has proven it is very capable of continuing to provide County residents with top-quality water and wastewater services competitively while protecting Miami-Dade County's environment, today and tomorrow.

Sincerely,

O agala Perally

Alex Penelas Mayor





COUNTYMANAGER

Fiscal year 2002 was a challenging one for Miami-Dade County, as well as the Miami-Dade Water and Sewer Department. The nation's economy—and just as importantly for Miami-Dade, the world's economy—slowed down, at least in part because of the September 11 terrorist attacks during the previous fiscal year. Still, the Department maintained its high standards of service, quality and efficiency.

Technology played a key role in the Department's progress during FY 2002. The Department implemented its new Customer Information System, or CIS, allowing for better service to customers. The system offers easy access to billing and payment information online, and customers are able to transfer and close accounts online as well. The new CIS will eventually allow the Department to offer customers such conveniences as online payment of water and sewer bills and the ability to pay via telephone.

Fiscal Year 2002 also marked the opening of the Department's new Douglas Center building. This state-of-the-art facility features the latest in water and energy conservation, data, and telecommunications technologies. Also, the Douglas Center is conveniently located at MetroRail's Douglas Road station on US-1, making the new building visible and easy to access.

Work began during the fiscal year on the Department's portion of the Flagler Street Market Place project in downtown Miami. This project will bring needed infrastructure improvements for the planned redevelopment of the heart of Miami. I'm pleased to add that at the end of the fiscal year, the Department was on track to complete this project ahead of schedule and under budget.

The POWER program, as the Department's efficiency program is called, was a continuing success during fiscal year 2002. Employees continued generating ideas to help the Department save money while improving service. POWER was recognized as a model for efficiency in government, with awards from the National Association of Counties and the American Metropolitan Water Agencies for this past fiscal year.

The Department's future is a bright one. It continues to provide Miami-Dade County residents with the best possible services. In fact, preliminary design work for the planned new water treatment plant in South Miami-Dade began during the fiscal year. The County's continued growth means the Department will need to review its rates and other sources of revenue in the near future, and some modifications may be necessary. I look forward to next fiscal year knowing the Department's hardworking employees and management team will work to make the Department continue to shine as one of our country's finest public utilities.

Sincerely,

Steve Shiver

County Manager



The Department Director (seated, center) and Assistant Directors.



MESSAGE FROM MANAGEMENT

The Comprehensive Annual Financial Report of the Miami-Dade Water and Sewer Department (the Department) for the fiscal year ended September 30, 2002 is submitted herewith. Management is responsible, in all material respects, both for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. The data is reported in a manner designed to present fairly the financial position and changes in the financial position of the Department. All disclosures necessary to enable the reader to gain an understanding of the Department's financial and operational activities are included. This report may also be accessed via the internet at http://www.co.miami-dade.fl.us/wasd/.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. The introductory section includes the Board of County Commissioners, the transmittal letters and the Department's organizational chart. The financial section includes the independent auditors' report, the Management's Discussion and Analysis, the Department's financial statements and supplementary financial data. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

In December 1972, the Board of County Commissioners (the Board) of Miami-Dade County, Florida (the County) created the Miami-Dade Water and Sewer Authority (the Authority) for the purpose of establishing an agency responsible for providing water and wastewater services throughout the County. In 1973, all properties of the water and wastewater systems of the City of Miami (the City) and of the County were put under the control of the Authority. The Board changed the status of the Authority to that of a County department effective November 1, 1983. Under the provisions of Miami-Dade County Ordinance 83-92, which directed the transition, the Authority was established as the "Miami-Dade Water and Sewer Authority Department" (the Department). On October 19, 1993, the Department changed its name to the Miami-Dade Water and Sewer Department.

The Department's water system, considered the largest water utility in the Southeast United States, serves approximately 387,000 retail customers and fifteen wholesale customers within the County. The water system consists of three regional water treatment plants and five small auxiliary treatment facilities that service the southernmost area of the County. Groundwater from the Biscayne Aquifer is the primary source of the raw water supply. There are six major offsite wellfields and numerous onsite wells. Distribution throughout the service area of over 400 square miles is performed via seven remote finished water storage and pumping facilities.

The wastewater system serves approximately 306,000 retail customers and thirteen wholesale customers. It consists of three wastewater treatment plants and associated transmission and disposal facilities.

Distribution occurs via a network of sewage collection facilities including collection sewers, manholes, lift stations and force mains.

MAJORINITIATIVES



CONSENT DECREES AND SETTLEMENT AGREEMENTS

The Department continued its successful implementation of the Consent Decrees and Settlement Agreements (CD/SA) program with the United States Environmental Protection Agency (EPA) and the Florida Department of Environmental Protection (FDEP). Under the CD/SA program, the Department agreed to accelerate its \$1 billion capital improvement initiative to upgrade the County's wastewater system. To date, the Department has successfully completed approximately 87 percent of CD/SA mandated improvements.

The Department's CD/SA program continues to ensure the Department is in compliance with all provisions of the CD/SA. Through FY 01-02, the Department had not incurred any penalties as a result of not meeting deadline dates for the completion of tasks under the CD/SA program. To date, more than 1,300 milestones set forth in these enforcement actions have been satisfactorily completed on or ahead of schedule. In fact, the EPA stated in a letter dated October 1, 2001 to the Department that: "EPA appreciates MDWASD's (the Department's) outstanding record in meeting all of the schedules contained in the consent decrees. More importantly, EPA appreciates MDWASD's accomplishment in meeting or exceeding the environmental and public health goals of the consent decrees to date."

The CD/SA program is divided into three major subprograms: the Wastewater Treatment Plant Expansion Program, the Pump Station Improvement Program and the Infiltration/Inflow Reduction Program.

WASTEWATER TREATMENT PLANT EXPANSION PROGRAM

Tasks under this program were completed in previous years. Most of the work done at the Department's wastewater treatment plants during FY 01-02 was for the effluent reuse program. The effluent reuse program was created to allow the Department to conserve fresh

drinking water by converting those wastewater treatment plant processes that currently use potable water into reclaimed water systems. In addition, the Department uses reclaimed water to irrigate the landscaping at its wastewater treatment plants, as well as at Florida International University's North Campus, which is located near the Department's North District Wastewater Treatment Plant.

PUMP STATION IMPROVEMENT PROGRAM

The Pump Station Improvement Program is an ongoing project created to evaluate and improve the operation and transmission capacity of the County's more than 945 wastewater pump stations. Of the more than 548 pump station and 192 force main projects that were necessitated by the CD/SA program, 88 percent have been completed. The remaining projects are scheduled for completion over the next few years.

INFILTRATION AND INFLOW REDUCTION PROGRAM

Through its extensive Infiltration and Inflow (I & I) Reduction Program, the Department addressed the subject of extraneous rainfall and groundwater entering the sanitary sewer system. More than 57,000 repairs were identified during the lifetime of this tenyear program. The Department completed the last of these repairs during FY 01-02, without ever having been penalized for failing to meet a deadline. As a



Water main installation in Miami-Dade County.



A softening tank and recarbonation basins at the Department's Alexander Orr, Jr. Water Treatment Plant

result of this program, I & I has been reduced by 14.85 million gallons per day (MGD) during FY 01-02, and approximately 120 MGD from the beginning of the program through the end of the fiscal year. Also, overflows in the sanitary sewer system (after adjustment to account for severe storms, pipeline breaks caused by contractors and vandalism) were reduced to 71 incidents during FY 01-02 from 80 incidents in FY 00-01.

EFFICIENCY PROGRAM

FY 01-02 was the fifth year of the Department's efficiency program, more commonly known by its acronym, POWER (Partnership Optimizing WASD's Efficiency and Reengineering). In a true spirit of partnership, POWER was implemented with the cooperation of AFSCME Local 121, the Government Supervisors Association of Florida and all Department employees. Since the inception of the POWER Program, there have been no rate increases for Department customers and employees have saved millions of dollars.

The POWER program—based on the idea that Department employees make the best consultants—has changed the way the Department does business, making it more competitive and efficient. It consists of employees voluntarily joining a Process Improvement Team in their area, where current Department procedures are analyzed and team members contribute ideas for improving procedures and saving the Department—and ultimately, customers—money.

The program's goals include: not raising rates for service over a five-year period; improving service to customers; protecting the jobs of all current employees; and complying with federal and state regulations.

POWER has been such a success that it has been chosen by County management as a model for other County departments' efficiency programs.

HOLDING THE LINE ON RATES

A major component of the Department's Efficiency Program is the promise to hold down water and wastewater service rates over a five-year period. FY 01-02 was the fifth and final year of this promise, which was made to the Department's customers; in fact, a 10 percent reduction in rates went into effect during that fiscal year. The Department implemented a new rate structure for FY 02-03. This new rate structure is revenue neutral, meaning the Department will take in neither more nor less revenue than before. In effect, the Department enters the next fiscal year without rate increases, making it six years in a row with steady rates. What makes all this even more remarkable is the fact that the Department's rates are and have been among the lowest in the United States.

WATER/WASTEWATER NEEDS ASSESSMENT STUDY

Miami-Dade County has grown, and continues to grow, at a rapid pace. In order to manage this growth in a way that benefits all sectors of society, the County has implemented a number of initiatives aimed at revitalization and development, including: Infill Housing Initiatives; the Brownfields Program; the Office of Community and Economic Development Program; the Federal Designated Empowerment Zones and Enterprise Zones enacted under the Tax Relief Act of 1997; the Quality Neighborhood Improvements Program; and miscellaneous County-initiated projects.





Two views of Blue Lagoon in Miami.



A drawbridge on the Miami River.

be necessary. To prepare for this expected increase in demand for its services, the Department completed a water/wastewater

Many of these initiatives are

expected to result in an increase

in demand for water and sewer

services. As a consequence of

infrastructure improvements—

including both new additions

and the rehabilitation of existing

deficiencies in the system—will

this added demand,

needs assessment study. The study found that the

Department will need to make numerous improvements. Some examples of the types of upgrades required include: new water and sewer main installations, improved fire protection through the replacement of undersized water mains and correction of low water-pressure situations, and installing and relocating fire hydrants.

A total of 589 improvement projects, to be implemented over a 20-year period, were identified as part of the study. Anticipated costs for the improvements are \$1.1 billion. The projects have been prioritized and approximately \$20 million have been committed over the last two years for related planning, design and construction work.

PROPOSED NEW SOUTH MIAMI-DADE **WATER TREATMENT PLANT**

Preliminary design work for the Department's newest water treatment plant—the South Miami-Dade Water Treatment Plant—began during FY 01-02. The plant will replace the system of five smaller treatment plants in South Miami-Dade (often referred to as the Rex Utilities System or the South Dade Water Supply System) with a state-of-the-art treatment facility.

The new treatment plant will use a membrane treatment process, which involves reverse osmosis technology. This will be the first such usage of this

technology for the Department, which currently uses a lime softening process at its water treatment plants.

The new plant will have the ability to treat 25 million gallons per day (MGD) of drinking water, with the capacity for expansion to 60 MGD. Construction should be completed by 2006. The Department's 1999 Water and Sewer Bond program has allocated \$30 million for the development of this project.



The mouth of the Miami River.

SUPERVISORY CONTROL AND DATA ACQUISITION SYSTEM

The Department's Supervisory Control and Data Acquisition (SCADA) System is a very important component of day-to-day operations, the CD/SA program, and emergency operations. It is also one of the largest programs of its kind in the country. The system provides centralized, remote monitoring and control of most of the Department's water and wastewater functions.

To date, approximately 99 percent of the County's more than 945 wastewater pump stations have been retrofitted with SCADA monitoring devices, and also newly acquired pump stations are being scheduled for installation of SCADA equipment. The following facilities are fully operational in the SCADA system: the North District Wastewater Treatment Plant; the Hialeah and John E. Preston water treatment plants; and all water well fields. Other locations where SCADA is operational but is being upgraded include: the Central District Wastewater Treatment Plant (where installation is 50 percent complete); the South District Wastewater Treatment Plant, and the Alexander Orr Water Treatment Plant.

SCADA has allowed the Department's Communications Center—where all emergency calls are handled and dispatched to work crews 24 hours a

day, 365 days of the year—to observe the functioning of all pump stations around the clock. SCADA also allows water and wastewater treatment plant operators to monitor and control pumping, treatment and discharge from their control panels, where automation can provide an extra level of efficiency.

DISINFECTION BYPRODUCTS

In 1996, the EPA amended regulations establishing maximum contaminant levels for two groups of water disinfection byproducts: Total Trihalomethanes and Haloacetic Acids. These regulations were put into effect in 1998, and they require large utilities (such as the Department) to comply by January 2004.

The Department's John E. Preston Water Treatment Plant was determined to be the only plant requiring modifications in order to comply with the new EPA regulations. The Department has made designs for these modifications, and work is currently underway at the plant to ensure completion by the January 2004 deadline date.

WATER CONSERVATION

In addition to providing safe drinking water and treatment of wastewater, the Department is committed to the conservation of the County's precious water resources. Here are some of the Department's water conservation programs:

- Education programs
- School contests
- Advertising (on the County's TV station, and on buses and bus shelters in conjunction with the South



"Finger" Lake in the Doral area of Miami-Dade County.

Florida Water Management District)

- Providing customers with information and free water conservation kits
- Theft of water is prosecuted aggressively
- Leak detection program, where crews search underground pipes throughout the County, looking for leaks in the water system and noting them for repair
- A permanent County ordinance restricting lawn watering to the most efficient times of the day
- Part sponsor of the Mobile Irrigation Lab program, where the agriculture industry's irrigation equipment is evaluated and recommendations are made for reducing water usage

EFFLUENT REUSE

The Department is implementing a \$5.9 million wastewater reuse program as part of the CD/SA program. This reuse program includes converting those wastewater treatment plant processes that currently use potable water into reclaimed water systems, and the use of reclaimed water for irrigating green space at the County's three wastewater treatment plants. These uses are considered Public Access Reuse (PAR) and qualify as such in the State of Florida.



Some of the wells that draw water from the Biscayne Aquifer for use in Miami-Dade County.



The Miami River and the Seybold Canal.

Construction of the PAR systems at the North, Central and South districts' wastewater treatment plants began in 1999, and was completed ahead of the EPA compliance completion date of January 1, 2001. The PAR systems at the three plants are already operational, ahead of the EPA's compliance completion dates for each plant. During FY 01-02, the Department demonstrated the ability of the PAR systems at the three plants to operate at capacity for a period of three months—before the related EPA compliance completion date of April 1, 2002.

Once fully implemented and approved by the EPA and the FDEP, the in-plant and PAR reuse systems are expected to provide the Department with approximately 16 MGD of reclaimed water.

CUSTOMER INFORMATION SYSTEM

In an effort to provide more efficient, cost-effective service to its customers, the Department implemented a new Customer Information System (CIS) during FY 01-02. A number of useful features were made available to Department customers for the first time, as part of the CIS. Some of these include: online viewing of current balance, latest bill, payment history, billing history and meter reading history; and allowing customers to disconnect or transfer their services online.

Other services the Department plans to offer in the future, thanks to the CIS, include: Automated Meter Reading, or AMR (as a pilot program); bill payment online; and accepting payments over the telephone.

DEPARTMENTAL INTRANET

The Department's Intranet came online during FY 01-02. This internal network—which is very similar in operation and looks to the Internet—has quickly proven itself indispensable.

The Department's Intranet was created to minimize

the burden on the Department's e-mail system, to save paper, and as an alternative and effective way for Department employees to communicate with one another. And it provides employees with resources and information which would otherwise be difficult to obtain: where in the past, an employee who needed some information to complete a task would have to locate an employee in another area with that information, now the information could easily be posted and found on the Intranet.

The Intranet has also allowed the Department to provide employees in the field and at maintenance facilities and plants with access to the Department's computer network via wireless connections, allowing the Department to reduce expenditures on network infrastructure.

As more and more information and resources get posted on the Department's Intranet, and as more Department employees use this resource, the Department expects employee productivity and efficiency to increase.

ONE-CALL SYSTEM

The Department implemented a new computer system, incorporating Oracle database software and the Department's Geographic Information System (GIS), to better help protect its underground assets and facilities from damage due to excavation.

Excavators call a statewide toll-free number, Sunshine State One Call, to say they will be digging in a given area. One Call sends notices to its members—typically, utilities such as the Department with underground facilities—to mark their underground facilities or otherwise warn the excavators.

The Department receives a very high volume of these notices and in the past, Department employees called locators would use a cumbersome system to manage this task. The new system allows locators easy access to information via laptop computers, allowing the locators to complete more work and do so more accurately than in the past. This has translated into an estimated savings of \$276,000 to date, due to reduced driving expenses



The Miami River with downtown Miami in the background.

on the part of locators, reduced time spent driving by the locators, and reduced damage—or in some cases, an increased ability to recover damages from excavators to the Department's underground facilities.

UNFORESEEN EVENTS

On September 11, 2001, the world was shocked by the now-infamous acts of terror committed on our country. Not only did more than 3,000 people lose their lives that day as a result of these horrific attacks, but the United States was thrust into a new war against the individuals responsible for this event.

Although the attacks took place near the end of the previous fiscal year, the financial after-effects have been strong during FY 01-02. One of the most affected areas has been security, as the need to increase security at the Department's facilities comes with increased costs.

Security at the Department's facilities has remained high since immediately after the attacks. The Board of County Commissioners passed an ordinance during the fiscal year, addressing long-term security at the Department's facilities, including wellfields and treatment plants.

The ordinance specifically authorizes the Department Director to take any actions deemed necessary in an emergency, to secure the Department's facilities. The Department Director has already determined that a need exists to maintain increased security at the Department's facilities. Another important component

of the ordinance is the issuance of new identification cards for all Department employees, contractors and visitors.

The estimated annual cost for the additional security guards is more than \$3 million. The estimated initial cost for the new identification card component is just under \$1 million. The cost for the identification cards is expected to decrease significantly in subsequent years because only new Department employees will be issued cards.

NEW DOUGLAS ROAD HEADQUARTERS BUILDING

The Department moved into its new headquarters building during FY 01-02. The new building is located conveniently on a major South Florida roadway, US-1, right at the County's Douglas Road MetroRail station.

Among the Department's divisions and sections now located at the Douglas Building are: Customer Service; Customer Relations; Human Resources; the Department Director's and Assistant Directors' offices; Construction Management; MIS; Procurement; Budget; Controller; Mailroom; General Maintenance; General Accounting; Contracts Administration; Special Projects; Financial Reporting; Fleet Management; Safety/Hazardous Materials Management; Support Services; Public and Governmental Affairs; Capital Planning; Construction Contracts; Planning, Permitting and Efficiency.

Quicklime is added to soften raw water.



FINANCIALINFORMATION



A fountain in Lake Joanne in Miami.

This portion of the letter of transmittal is further discussed in the Management's Discussion and Analysis, found in the financial section of this report, and should be read in conjunction with it.

ENTERPRISE FUND

The Department operates as an enterprise fund of Miami-Dade County. As such, the Department funds its expenditures through its rates and charges and receives no income from ad valorem taxes levied by the County. The Department recommends rates annually to provide for anticipated cash outlays for operating expenses as well as capital improvement requirements and debt service payments.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

As specified in Miami-Dade County Ordinance 93-134, the Department's financial accounting system is based upon accounting principles generally accepted in the United States of America. Internal accounting controls are an integral part of the Department's management systems and are designed to provide reasonable assurance that assets are safeguarded from unauthorized use or disposition and that records used for preparing financial statements and maintaining asset accountability are reliable.

To aid in carrying out this responsibility, management strives to maintain a system of internal accounting control, which is established after weighing the cost of such controls against the benefits derived. Due to the inherent limitations of the effectiveness of any system of internal accounting control, management cannot provide absolute assurance that the objectives of internal accounting control will be met.

As part of the County's ongoing efforts to employ comprehensive and cost-effective internal accounting controls, Miami-Dade County's internal auditing staff reviews the Department's controls and procedures on a continuing basis. The County's Director of Audit and Management Services reports to the County Manager, providing the independence necessary for objective auditing and reporting on Department affairs.

The Board of County Commissioners approves the Department's annual budget for its recommended rates, expenses and capital outlays. An analysis of revenue and operating expenses for the fiscal year ended September 30, 2002 is provided in the financial section of this report.

The Department controls current expenses at both the functional and operating division levels. Through the Department's management reporting system, which includes responsibility centers, division managers are responsible for budgetary items that are controllable at their organizational levels. Since all expenses are

A cross-section of the Biscayne Aquifer.



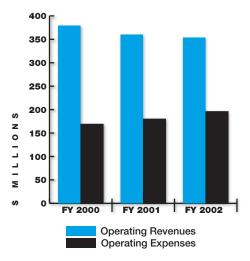


Glide Angle Lake in Miami.

controllable at some level, this dual monitoring of expenses serves to strengthen overall budgetary and management controls.

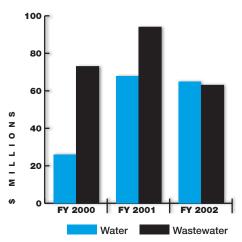
OPERATING REVENUES AND EXPENSES

Operating revenues and expenses for fiscal years 2000, 2001 and 2002 are shown in the following graph.



CAPITAL IMPROVEMENTS

The following chart presents a summary of capital improvements for fiscal years 2000, 2001 and 2002.



CASH MANAGEMENT

The Department pools all cash and investments, with the exception of certain investments which are required to be held in trust and escrow accounts under the terms of bond ordinances and loan agreements.

Pooled investments are made pursuant to Florida Statutes and resolutions of the Board of County Commissioners and consist of U.S. government and agency securities, commercial paper, bankers' acceptances and repurchase agreements which are collateralized by U.S. government and agency securities. Investments are competitively bid among banks and investment brokers enabling the Department to obtain the best interest rates available in the market. A summary and comparison of cash management activity for fiscal years ended September 30, 2002 and 2001 is as follows (dollars in thousands):

	<u>2002</u>	<u>2001</u>
Average		
portfolio balance	\$713,291	\$731,141
Average		
investment yield	3.0%	5.5%
Interest earned on		
investments	\$21,506	\$40,472

RISK MANAGEMENT

The Department maintains a self-insurance program for general liability and automobile liability exposures. Funding for this program is based on an actuarial study performed by consultants. The Department also participates in the County's self-insurance programs for workers' compensation and health and life insurance. Insurance is maintained with independent carriers for all other risks of loss.



The lime kiln at the Alex Orr, Jr. Water Treatment Plant.

OTHERINFORMATION

INDEPENDENT AUDIT

The accompanying financial statements have been audited by the Department's independent auditors, KPMG LLP, and their report on the financial statements resulting from their audit is included in the financial section of this report.

AWARDS

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Department for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2001. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Department has received a Certificate of Achievement for the past 20 fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and are submitting it to GFOA.

NATIONAL ASSOCIATION OF COUNTIES 2001 ACHIEVEMENT AWARD FOR COUNTY MODEL PROGRAMS

The Department is proud of the fact it received two Achievement Awards for County Model Programs from the National Association of Counties in FY 01-02. The awards were for:

POWER Efficiency Program

The Department's POWER program, serving as a model for efficiency in government by focusing on generating savings for ratepayers through reducing expenses and finding new, less costly ways to conduct business.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Miami-Dade Water and Sewer Department, Florida

For its Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



William Father Fato

Alland Com



A filter gallery, the final step in the water treatment process.

Three-Step Pilot Program "PIPEBURSTING METHODOLOGY"

A pilot program using trenchless technology, lessexpensive polyethylene pipe (instead of copper), and pre-chlorination to save money and time in replacing small water mains.

ASSOCIATION OF METROPOLITAN SEWERAGE AGENCIES 2001 PEAK PERFORMANCE GOLD AWARD

The Department's North District and Central District wastewater treatment plants received Peak Performance Gold Awards from the Association of Metropolitan Sewerage Agencies (AMSA) in FY 01-02. This marks the third year in a row the Central District plant wins a Gold Award; the North District Plant won a Silver Award last fiscal year.

Recipients of the Gold Award must achieve 100 percent compliance with their National Pollutant Discharge Elimination System (NPDES) permit. AMSA's Peak Performance Awards program recognizes excellence in wastewater treatment, as measured by compliance with NPDES permits for an entire year.

ASSOCIATION OF METROPOLITAN WATER AGENCIES 2002 GOLD AWARD FOR COMPETITIVENESS ACHIEVEMENT

Thanks to the POWER Efficiency Program, the Department won a Gold Award for Competitiveness Achievement from the Association of Metropolitan Water Agencies for this past fiscal year. The Department was chosen along with fifteen other drinking water agencies nationwide for implementing initiatives and management practices designed to allow the respective agencies to reach new levels of competitive accomplishment.

FLORIDA SECTION, AMERICAN WATER **WORKS ASSOCIATION (FSAWWA) SAFE AND SECURE WATER 2002 CONFERENCE**

The Department and Department employees won a number of awards at the FSAWWA 2002 Conference. The awards won include:

- The George Warren Fuller Award (often referred to as the "Oscar" of the water industry) by Water Distribution Chief Luis Aguiar
- First Place Division IV Distribution System Award (utilities larger than 100,000 services)
- Landmark Award for the Hialeah Water Treatment Plant
- Heroism Award by Pipefitter Miguel Diaz
- First Place in the Tapping Team Contest for the tenth time in 13 years
- Third Place in the Backhoe Rodeo Competition by Heavy Equipment Operator Jose Andino

ACKNOWLEDGEMENTS

We wish to thank all of the Department's employees for their hard work and dedication during the past fiscal year. We would also like to thank the Controller Division and the Public Affairs Section for their tireless efforts and professionalism in preparing this report, as well as our external auditors for their invaluable assistance. Finally, a special acknowledgement is extended to the Mayor, Board of County Commissioners and County Manager for their continued leadership in enabling the Department to fulfill its role.

William M. Brant, P.E.

Director

Dana M. Moss, Sr., C.P.A Assistant Director - Finance

ORGANIZATIONAL CHART

